

Message Text

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21

ACTION EB-07

INFO OCT-01 EA-06 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

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FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 5434

INFO AMCONSUL MELBOURNE

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E.O. 11652: N/A

TAGS: EAIR, ETRN, AS

SUBJ: PANAM-GOA DISCUSSIONS - AVIATION FUEL PRICE

REF: (A) MELBOURNE 1424, 12/5/74; (B) MELBOURNE 1330, 12/15/74;
(C) MELBOURNE 1260, 11/1/74

1. THIS MESSAGE IS FOR DEPARTMENT'S BACKGROUND INFORMATION IN ANTICIPATION POSSIBLE APPROACH BY PANAM NEW YORK HEAD-QUARTERS TO DEVELOP USG POSITION RE POLICY BEING APPLIED BY GOA IN REVIEWING AND APPROVING PRICE PROVISIONS OF NEW AVIATION FUEL CONTRACTS BETWEEN AUSTRALIAN PETROLEUM SUPPLIERS AND INTERNATIONAL AIRLINES FLYING OUT OF AUSTRALIA.

2. RUSH CLARK, PANAM SOUTH PACIFIC DIRECTOR, SYDNEY, HAS BEEN DISCUSSING THIS ISSUE WITH PANAM'S SUPPLIER, BRITISH PETROLEUM, AND WITH GOA DEPARTMENT OF MINERALS AND ENERGY (DME) DURING PAST WEEK AND HAS KEPT EMBASSY INFORMED OF THESE DISCUSSIONS. ON BASIS RECENT DISCUSSION, CLARK BELIEVES PANAM WILL WISH USG OFFICIAL REPRESENTATIONS TO GOA ON ISSUE. HE DISCUSSED MATTER APRIL 4 WITH MURZYN, FUEL DEPARTMENT, PANAM NEW YORK, AND SUGGESTED THAT LATTER AFTER DECIDING PANAM POSITION APPROACH DEPARTMENT WITH VIEW TO AGREEING ON U.S. APPROACH.

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3. EMBASSY SYMPATHETIC PANAM SITUATION AND BELIEVES SITUATION MOVING IN DIRECTION WHICH WILL JUSTIFY OFFICIAL APPROACH TO GOA ON PANAM'S BEHALF. IN VIEW POSSIBLE GLOBAL RAMIFICATIONS ANY POSITION USG TAKES, HOWEVER, WE ADVISED CLARK WE WOULD WISH TO SEEK CONFIRMING INSTRUCTIONS BEFORE APPROACHING GOA. WE TOLD CLARK WE WOULD BE WILLING SEEK INSTRUCTIONS ON EMBASSY'S OWN INITIATIVE, OR WOULD BE HAPPY IF PANAM WISHED TO HAVE PANAM DISCUSS THE MATTER WITH THE DEPARTMENT.

4. BACKGROUND AS FOLLOWS. DME, THROUGH ITS EXPORT CONTROL AUTHORITY, REQUIRES ALL FUEL SUPPLY CONTRACTS WITH INTERNATIONAL AIRLINES TO HAVE ITS APPROVAL. AS CURRENT CONTRACTS EXPIRE, INDIVIDUAL AIRLINES HAVE REPORTEDLY FACED SUBSTANTIAL PRICE INCREASES IN CONTRACTS EVENTUALLY APPROVED BY DME. PANAM'S CONTRACT EXPIRES SHORTLY AND BOTH CLARK AND PANAM'S SUPPLIER, BRITISH PETROLEUM, HAVE BEEN DISCUSSING MATTER INFORMALLY WITH DME, IN PURSUIT OF GENERALLY-PHRASED GOA OBJECTIVE OF "WORLD PRICE" ON EXPORTED AVIATION FUEL, MAY INTEND REJECTING PROFFERED PANAM CONTRACTS UNTIL PRICE SUGGESTED BY BP APPROACHES 40 CENTS PER GALLON. MEANWHILE, UNCONFIRMED BUT APPARENTLY RELIABLE INFORMATION IN TRADE IS THAT AUSTRALIAN FLAG CARRIER, QANTAS, IS PROCEEDING UNDER CONTRACT WHICH DME HAS REFRAINED FROM APPROVING BUT HAS NOT MOVED TO SET ASIDE WITH 18 CENT PER GALLON PRICE.

5. CLARK SOME TIME AGO INQUIRED WHETHER HE COULD LOOK FORWARD TO EMBASSY EXPRESSING OFFICIAL U.S. INTEREST IN MATTER WHEN TIME WAS RIPE. WE THEN ADVISED CLARK WE WOULD HAPPILY SEEK INSTRUCTIONS TO PROTEST ANY SIGNIFICANT DISCRIMINATION IN FUEL PRICES BETWEEN PANAM AND QANTAS, IF SUBSTANTIAL EVIDENCE OF SUCH DISCRIMINATION SURFACED. SINCE THAT TIME, CLARK HAS TOLD US PANAM NEW YORK IS INCLINED TO PRESS FOR A PRINCIPLE OF RECIPROCITY UNDER WHICH PANAM WOULD PAY PRICE IN AUSTRALIA EQUAL TO AMERICAN PRICE. PRECISE DEFINITION OF AMERICAN PRICE NOT SPECIFIED.

6. AFTER HIS DME DISCUSSION APRIL 3, CLARK ADVISED EMBASSY HE BELIEVED MATTERS MOVING RAPIDLY TOWARD POINT AT WHICH HE WOULD APPRECIATE EMBASSY APPROACH TO GOA. WE RESTATED OUR DESIRE TO GIVE PANAM SUPPORT AND OUR CONFIDENCE DEPARTMENT LIMITED OFFICIAL USE

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WOULD AUTHORIZE US TO OBJECT TO DISCRIMINATION VIS-A-VIS QANTAS. WE TOLD HIM THAT WE COULD NOT COMMIT OURSELVES RESPECTING THE "RECIPROCITY" PRINCIPLE HE HAD MENTIONED BUT WOULD WISH TO GET MORE PRECISE STATEMENT THEREOF AND CONSULT DEPARTMENT IN VIEW OF FACT IT MIGHT HAVE WIDER IMPLICATIONS IN WORLD AVIATION FUEL PRICE PROBLEM.

7. CLARK CALLED EMBASSY APRIL 7 TO ADVISE OF HIS DISCUSSION

WITH MURZYN. WE TOLD CLARK THAT IN VIEW OF POSSIBLE APPROACH
TO DEPARTMENT BY PANAM NEW YORK WE WOULD SEND THIS MESSAGE
WITH BACKGROUND FOR DEPARTMENT'S INFORMATION.
GREEN

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